REPORT

of the

STANDING COMMITTEE ON PUBLIC ACCOUNTS

July 1988

Fourth Session of the Fifty-Fourth General Assembly

TABLE OF CONTENTS

	Page
Introduction	i
Acknowledgements	ii
Witnesses	iii

Committee Business:

Preliminary Meeting	1
Office of the Auditor General	2
Department of Government Services	4
Nova Scotia Power Corporation	5
United Steelworkers of America - Local 1064	6
Sydney Steel Corporation	7
Victoria General Hospital	8
Halifax-Dartmouth Bridge Commission	9
Business Capital Corporation	10
Other Business	12

Appendices:

I - Summary, Preliminary Meeting
II - Summaries, Office of the Auditor General
IIa - Information Provided in Response to Committee Requests - April 13, 1988
IIa - Information Provided in Response to Committee Requests - April 20, 1988
III - Summary, Department of Government Services
IV - Summary, Nova Scotia Power Corporation
V - Summary, United Steelworkers of America, Local 1064
VI - Summary, Sydney Steel Corporation
VII - Summary, Victoria General Hospital
VIII - Summary, Halifax-Dartmouth Bridge Commission
IX - Summary, Business Capital Corporation
IXa - Information Provided in Response to Committee Requests

Fourth Session of the Fifty-Fourth General Assembly
Report of the
Standing Committee on Public Accounts

INTRODUCTION

The membership of the Standing Commmittee on Public Accounts was approved in the Nova Scotia Legislature on March 29, 1988. At its first meeting on April 6, 1988, the Committee elected its Chairman and approved the nomination of a Vice-Chairman. Membership was as follows:

Dr. William Gillis, M.L.A., Chairman
Mr. George Archibald, M.L.A., Vice-Chairman
The Honourable Ronald C. Giffin, Q.C.
The Honourable Ronald S. Russell, C.D.
The Honourable G. David Nantes
The Honourable Brian Young
Dr. James MacLean, M.L.A.
Mr. Vincent J. MacLean, M.L.A.
Mr. John Holm, M.L.A.

Ms. Dianne Stillman was appointed Committee Secretary.

The following report, which was compiled by the Committee Secretary, encompasses the work carried out by the above Committee up to and including June 30th, 1988. Reference materials such as the verbatim transcripts (Hansard), and witness submissions, are available at the Legislative Library. The Auditor General, in his 1988 Report, commented favourably on the first report of this committee (1987) and expressed his view that this practice should continue.

As in the past, the intent of the Committee was to look at some of the broader issues of management and financial administration. The Committee received suggestions for witnesses from each of the three parties represented in the Legislature. These lists included the Auditor General, representatives from Sydney Steel, the Victoria General Hospital, the Department of Government Services and others. The initial agenda was set on April 6, 1988, with the unanimous consent of Committee members.

Fourth Session of the Fifty-Fourth General Assembly
Report of the
Standing Committee on Public Accounts

The Standing Committee on Public Accounts met on the following dates:

April 6, 1988
April 13, 1988
April 20, 1988
April 27, 1988
May 4, 1988
May 11, 1988
May 18, 1988
May 25, 1988
June 15, 1988

Acknowledgements:

The Committee wishes to extend its appreciation to the witnesses for their time and co-operation. In addition, the Committee thanks Mr. Speaker, Arthur R. Donahoe, and his staff; Mr. O. Paul Cormier, Auditor General, and his staff; Mr. Rodney Caley, Editor of Hansard, and his staff.

Fourth Session of the Fifty-Fourth General Assembly
Report of the
Standing Committee on Public Accounts

WITNESSES

April 13 and 20, 1988
Office of the Auditor General

Mr. O. Paul Cormier
Auditor General

Mr. Roy Gunn
Deputy Auditor General

Mr. James Butler
Assistant Auditor General

April 27, 1988
Department of Government Services

Mr. Michael Zareski
Deputy Minister

Mr. Darrell Hiltz
Executive Director - Property and Operations Services

Mr. John MacLean
Director - Property and Operations Services

May 4, 1988
Nova Scotia Power Corporation

Mr. Louis Comeau
President and Chief Executive Officer

Mr. Oliver O'Rourke
Vice-President, Finance

Mr. Gerald Lethbridge
Vice-President, Engineering and Production

Mr. Leonard J. Sweett
Vice-President, Customer Service

May 11, 1988
United Steelworkers of America, Local 1064

Mr. John Callaghan
President

Mr. Charles MacDonald
Financial Secretary

Mr. Andy Gillis
Area Representative

AND

Sydney Steel Corporation

Mr. Ernest Boutilier
President

Mr. Michael Cochrane
Chairman of the Board

Mr. Robert Skinner
Vice-President, Finance

May 18, 1988
Victoria General Hospital

Mr. Richard Criddle
Executive Director

Mr. Wayne Paterson
Chairman - Board of Commissioners

Mr. Wayne Marsh
Comptroller

May 25, 1988
Halifax-Dartmouth Bridge Commission

Mr. Reg Prest
Chairman

Mr. Jerry Kay
General Manager

Mr. Basil Gordon
Secretary

Fourth Session of the Fifty-Fourth General Assembly
Report of the
Standing Committee on Public Accounts

June 15, 1988
Nova Scotia Business Capital Corporation

Mr. Norman MacNeil
President

Mr. Robert Shaw
Chairman

Mr. Arthur Abbott
Vice-President

NOTE:

It is the intention of this Committee, to hold additional meetings before the Fourth Session of the Fifty-Fourth General Assembly has been prorogued.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

of the

Fourth Session of the
Fifty-Fourth General Assembly

REPORT

Tabled: July 27, 1988

Preliminary Meeting

The first meeting of the Standing Committee on Public Accounts was held on Wednesday, April 6, 1988, in the Legislative Chamber, House of Assembly.

The meeting was presided over by the Clerk of the House, Mr. Roderick MacArthur, until a Chairman was elected.

For the second consecutive year, Dr. William Gillis, M.L.A., (Antigonish) was unanimously elected as Chairman. Once taking the Chair, Dr. Gillis proceeded with the following order of business:

1. the nomination of Mr. George Archibald, M.L.A. as Vice-Chairman (for the second consecutive year). Uanimously agreed.

2. the appointment of Ms. Dianne Stillman as Committee Secretary. Unanimously agreed.

3. the presentation of party lists containing suggestions for witnesses.

4. the setting of an initial agenda.

It was agreed that all further meetings of this Committee would be held, as has been the tradition, on Wednesdays at 9:00 a.m., in the Legislative Chamber, unless Members are otherwise notified.

Meeting Summary: SEE APPENDIX I

OFFICE OF THE AUDITOR GENERAL

The Committee called as its first witness, Mr. O. Paul Cormier, Auditor General. As in previous years, it was necessary for the Auditor General to appear before the Committee on two occasions. Those meetings took place on April 13 and 20, 1988.

In his opening remarks, the Auditor General emphasized the need for:

...a strengthened central management function, to be responsible for ensuring certain basic management practices are being followed;

...a greater degree of value for money reviews, in all segments of government expenditures; and

...revisions to the Auditor General Act, primarily relating to the method of appointment of the Auditor General and the Deputy Auditor General, and a transfer payment audit mandate.

Committee members based much of their questioning on the Report of the Auditor General, dated March 31, 1987. A principal point of discussion was the financial difficulties being experienced at the Victoria General Hospital and Mr. Cormier's professional opinion on the most viable ways to handle the situation. After considerable discussion, the Committee decided that the Chairman of the Board of Commissioners of the Victoria General Hospital should be invited to appear on at a future meeting.

As in previous years, Mr. Cormier was asked to provide the Committee with the following information:

1. A breakdown and explanation of additional appropriations in excess of $50,000 (noted on page 60-61 of his report) that were approved after the end of March 1987.

2. A breakdown of amounts written off and increases in reserve for doubtful accounts (noted on page 45 of the 1987 Public Accounts, Vol. 1).

3. Regarding Health Services Tax, a ballpark figure for write-offs up to and including March 31, 1988; and a list of accounts for which the Health Services Tax was written off.

Office of the Auditor General...continued

4. Regarding Portland Estates Limited, a summary of the status of loans; and information related to a sewer project in the City of Dartmouth.

The Auditor General provided the above information and it is included in this report, as Appendix IIa and IIb.

Meetings Summaries: SEE APPENDIX II

DEPARTMENT OF GOVERNMENT SERVICES

The Deputy Minister of Government Services, Mr. Michael Zareski was invited to appear before the Standing Commitee on Public Accounts on April 27, 1988 to discuss the question of government office space leases. Prior to the meeting, Mr. Zareski indicated to the Chairman that, rather than making an opening statement, he would prefer to defer to the questions of Members.

Considerable questioning ensued, principally relating to the lease for space within the Joseph Howe Building. Mr. Zareski explained the rental history of the Joseph Howe Building and how the leasehold cost compares with other buildings in the downtown core of Halifax. However, he was unable to table the lease, which was signed on July 30, 1987, due to the Freedom of Information Act.

Mr. Zareski was asked to provide the Committee with the following information:

1. A copy of the long form of the lease for the Joseph Howe Building.

2. Information pertaining to the original estimate of both interior and exterior renovations costs to the Dominion Building, in comparison with the current cost.

Meeting Summary: SEE SCHEDULE III

NOVA SCOTIA POWER CORPORATION

Mr. Louis Comeau of the Nova Scotia Power Corporation appeared before the Committee on May 4, 1988. This meeting was held jointly with the Standing Committee on Economic Development and the chair was assumed by the Chairman of that Committee, Mr. Jack Coupar, M.L.A.

In his opening remarks, Mr. Comeau referred to his prepared submission, highlighting the current financial status of the Corporation (i.e. the rate stabilization fund and the establishment of sinking funds to provide for debt retirement), and the positive stand the Corporation feels it has taken on environmental issues. Copies of this submission are available with the Committee records in the Legislative Library.

On the subject of the environment, Mr. Comeau indicated that the Corporation is currently involved in a project whereby transformers containing PCBs are being removed, and it is anticipated that this will be completed by the end of 1988. The issue of the settlement of claims along the Annapolis River was raised, in that 12% of those claimants have yet to be compensated. Mr. Comeau indicated that the Corporation is currently looking into ways in which a settlement, agreeable to both sides, can be reached.

Committee members had many concerns over the financial picture at the Nova Scotia Power Corporation. One major area of concern was the increase of the net loss for the fiscal year ended March 31, 1988 ($30 Million) over that of the year ending March 31, 1987 ($9.3 Million). Mr. Comeau explained that a number of factors were involved including the fact that there had not been a consumer rate increase in five years. Considerable discussion ensued on the perceived abuses of the rate stabilization fund and the reasons for not increasing the consumer rates.

Mr. Comeau agreed to provide both Committee Chairmen with the following information:

- a report on the various aspects of the sale of Fundy power to New England, including a breakdown of projected costs, i.e. fuel (basically coal).

Meeting Summary: SEE APPENDIX IV

UNITED STEELWORKERS OF AMERICA - LOCAL 1064

This meeting, held on May 11, 1988, was chaired by the Vice-Chairman, Mr. George Archibald. It was divided into two sections, with the first portion being allotted to the representatives of the United Steelworkers of America (Local 1064).

Mr. John Callaghan, President, declined the offer to make an opening statement, and chose to defer to the questions of Committee members.

The Witnesses were unable to give specific answers to questions concerning the future plans of Sydney Steel and the effect these plans would have on the employees. They expressed to the Committee their frustrations with the state of labour-management relations at the plant.

The Witnesses reiterated their stand as to the need for a full industrial enquiry into the situation at the Sydney Steel Corporation and sought the Committee's support in this regard.

Meeting Summmary: SEE APPENDIX V

SYDNEY STEEL CORPORATION

Immediately following the meeting with the representatives of the United Steelworkers of America, the Committee met with the Chairman of the Board, President and Vice-President, Finance of the Sydney Steel Corporation.

Among the topics discussed, was the current financial situation at the plant and how the total cumulative losses had risen to $635 million.

The Committee learned that the current modernization plan has an estimated completion date of the late summer of 1989. The company anticipates that this will provide for the employment of 700-900 full-time persons.

The issue of labour-management relations was addressed, particularly in light of the union's view of how management handled the closing of the coke ovens; and management's refusal to take a position on provincially legislated automatic assumption for their workers.

The Witnesses, although agreeing that labour-management relations had been a bit difficult recently, felt that the situation was reasonably good. They agreed to sit down with the Union and discuss the pertinent issues and report back to the Committee Chairman on any progress that has been made.

Regarding the Union's proposal for an industrial enquiry, the Witnesses stated that it would interfere with the modernization process.

Meeting Summary: SEE SCHEDULE VI

VICTORIA GENERAL HOSPITAL

As a direct result of the Report of the Auditor General (1987) and subsequent meetings with Mr. Cormier, the Chairman of the Standing Committee on Public Accounts invited the Chairman of the Board of the Victoria General Hospital to appear before the Committee on May 18, 1988.

Rather than making an opening statement, Mr. Paterson deferred to the questions of the Committee.

With reference to the Auditor General's Report, questioning by Committee Members brought attention to the following main concerns:

..Financial - because the Auditor General had been warning of deteriorating conditions since 1979, the reasons why had it taken the hospital until 1987 to do a study into the situation and also, why (as the Auditor General has stated), the board refused to discuss this issue with the Auditor General.

The Witnesses were unaware of any problem in this regard.

..Personnel - the Auditor General, at his meeting with the Public Accounts Committee, stated that the Comptroller, although a thoroughly reliable individual, was not the most qualified person for the job.

The Witnesses, however, expressed their firm belief that the employee in question was a very competent Comptroller.

..Missing Drugs - the Auditor General has stated that his audit indicated that $268,000 worth of drugs remained unaccounted for.

The Witnesses stated that a thorough investigation into the matter indicated that the drugs in question were 'lost' due to accounting or clerical errors and were not on the street. They noted that steps had been taken to ensure that this would not happen again.

Meeting Summary: See Appendix VII

HALIFAX-DARTMOUTH BRIDGE COMMISSION

Representatives of the Halifax-Dartmouth Bridge Commission appeared before the Committee on May 25, 1988. The meeting was an abbreviated one, due to the extended hours of the House of Assembly.

In his opening remarks, Mr. Reg Prest, Chairman, reported that the Bridge Commission has had a very good year, resulting from the decline of the Swiss franc against the Canadian dollar. He noted further that, last year, the strength of the Swiss franc led to an operating loss of $78,000.

When questionned, Mr. Prest noted that the debt now stands at $122 million and is handled through their financial advisors, the Bank of Nova Scotia. He reported that the Bridge Commission plans to ask a consultant to review the situation and make recommendations at the end of June 1989, when the debt is due. The Bridge Commission will then review that recommendation and make a proposal to the Minister of Finance.

Meeting Summary: SEE APPENDIX VIII

BUSINESS CAPITAL CORPORATION

On June 15, 1988, the Committee met with representatives of the Business Capital Corporation. Mr. Bob Shaw, the Chairman, made an opening statement informing the Committee of the structure of the Corporation, and its mandate.

The Business Capital Corporation has only recently (April 1, 1988) come into being and its board of directors is comprised of members of the former Venture Capital Board, the Industrial Estates Limited Board and the Resources Development Board.

In response to queries regarding the Portland Estates loan, the witnesses advised the Committee that this account has recently been assigned to their organization, and is being administered by, Mr. Don Snow, the Manager of Special Accounts with the Business Capital Corporation and formerly, the Manager of the Resources Development Board. Mr. Snow is involved with the Attorney General's Department in reviewing this account. At the request of the Committee, the Witnesses agreed to have a report prepared and filed with the Chairman as close as possible to the end of June, which would update the current status of the Portland Estates loan.

Since they are such a newly formed group, the Witnesses, regrettably, were unable to answer several of the Members' questions. Therefore, they agreed to provide the following to the Chairman for distribution:

...the equivalent for 1988 of a list sent to the Committee last year, entitled, "Venture Capital Corporations as registered under the Nova Scotia Venture Corporations Act, Directory as of March 31, 1987."

...an estimate of the reserve for doubtful accounts as of March 31, 1988.

...the names of the eight (8) accounts which the Auditor General referred to as "Known or Anticipated Losses" (See Appendix IIa).

...a status report on the venture capital loans as of March 31, 1988.

...a list of investments that were sold under the Industrial Expansion Fund as referred to in the Public Accounts (1987) - Investments Sold: $20.516 million.

Business Capital Corporation....continued

...the terms and conditions of the loan guarantee for Prince of Fundy Cruise Limited ($9 million); and, for any other similar guarantees that have been made.

...details on write-offs for Woodtech Industries, of Mulgrave, Nova Scotia.

...a list of all industrial parks, and all pertinent information about them, including remaining acreage available for development.

The above information was provided to the committee in early July 1988 and it is included in this report as Appendix IXa.

Meeting Summary: SEE APPENDIX IX

OTHER BUSINESS

Reporting Levels
Supplement to Public Accounts

On April 19, 1988, the Hon. Greg Kerr, Minister of Finance, suggested in a letter to the Chairman of the Committee, that the current reporting limits in the Supplement to the Public Accounts, be increased to a more workable level.

This proposal was discussed in Committee, with each representative party presenting their own view and subsequently, the following levels were arrived at:

Expenditure Item	In Excess Of
Salaries	$ 25,000.00
Travel	$ 3,500.00
All Other Payments	$ 5,000.00

As well, the Committee recommended that expenses of Ministers and Members of the House of Assembly be disclosed in their entirety.

APPENDICES

Report of the
Standing Committee on Public Accounts

PRELIMINARY MEETING
APPENDIX I

Summary

APPENDIX I

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, April 6, 1988
10:00 a.m.

Members Present

Hon. Ronald Giffin
Hon. Ronald Russell
Hon. G. David Nantes
Mr. George Archibald
Dr. James MacLean
Mr. Vincent J. MacLean
Dr. William Gillis
Mr. John Holm

Ms. Dianne Stillman, A/Committee Secretary

In the Chair, prior to the election of a Chairman, was the Chief Clerk of the House, Mr. Roderick MacArthur.

Mr. MacArthur brought the meeting to order. The first order of business was the election of a Chairman. A motion for the appointment of Dr. William Gillis was made by Mr. George Archibald. - MOTION CARRIED

Upon assuming the Chair, Dr. Gillis...

1. nominated, as Vice-Chairman, Mr. George Archibald - AGREED

2. recommended the appointment of Ms. Dianne Stillman as Committee Secretary - AGREED

3. indicated his hope that recommendations made by the Auditor General in his 1987 Report, would be implemented.

4. suggested that the meetings of this Committee follow the same schedule as in previous years, that of 9:00 a.m. to 11:00 a.m. each Wednesday. - AGREED

5. called for suggestions for the 1988 agenda of this Committee. Three lists, prepared by each representative party, were circulated.

Meeting Summary
April 6, 1988

SUGGESTIONS/COMMENTS BY MEMBERS:

WITNESS: The Auditor General

Mr. John Holm: suggested that the first witness to be called should be the Auditor General.

Mr. George Archibald: asked if the Auditor General should be invited to appear twice, as in previous years.

The Chairman: suggested that the Auditor General be scheduled for two separate weeks followed by the Deputy Minister of Government Services. In the event that the Auditor General's business could be cleared up in one session, have the Deputy Minister come a week earlier.

WITNESS: The Deputy Minister of Government Services
RE: Government Office Rentals

Mr. John Holm: suggested that representatives of Government Services appear before the Committee to discuss office rentals.

Mr. David Nantes: stated that the Deputy Minister of Government Services could bring resource people with him.

The Chairman: suggested that the Deputy Minister be invited to appear on April 27 with the possibility of changing it to the 20th, should the session with the Auditor General last for only one week.

WITNESS: President and Chief Executive Officer
The Nova Scotia Power Corporation

Hon. Ronald Russell: noted that because the Nova Scotia Power Corporation was on all three lists, it would be an appropriate third choice.

The Chairman: suggested that this meeting, in keeping with tradition, be held jointly with the Economic Development Committee.

WITNESSES: The Sydney Steel Corporation - AND -
United Steelworkers of America, Local 1064

Mr. Vincent MacLean: suggested that the Sydney Steel Corporation be scheduled and that the Economic Development Committee be invited to take part as well.

Meeting Summary
April 6, 1988

The Chairman: suggested that the United Steelworkers Union be invited to appear on the same day as the representatives of Sydney Steel.

WITNESSES: Representatives of the Victoria General Hospital

Mr. Vincent MacLean: suggested that, given the remarks made in the Auditor General's Report, the Executive Director of the Victoria General Hospital be invited to appear before this Committee.

Hon. Ronald Russell: stated that protocol would indicate that the Chairman of the Board also be invited.

WITNESSES: Representatives of the Halifax-Dartmouth Bridge Commission

The Chairman: suggested that the Bridge Commission should be invited to appear, given the amount of money involved.

WITNESSES: Representatives of the Business Capital Corporation

Mr. John Holm: suggested that the Venture Corporation Board (now under the Business Capital Corporation - formerly known as the Resources Development Board) should be invited.

Meeting Adjourned: 10:21 a.m.

OFFICE OF THE AUDITOR GENERAL

APPENDIX II

Summaries

-Appendix IIA

Information provided by the Auditor General at the request of the Committee (April 13, 1988)

-Appendix IIB

Information provided by the Auditor General at the request of the Committee (April 20, 1988)

APPENDIX II

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, April 13, 1988
9:00 a.m.

Members Present

Dr. William Gillis, Chairman
Hon. G. David Nantes
Hon. Ronald Giffin
Hon. Ronald Russell
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

Ms. Dianne Stillman, Committee Secretary

WITNESSES:

Mr. O. Paul Cormier
Auditor General

Mr. Roy Gunn
Deputy Auditor General

Mr. James Butler
Assistant Auditor General

The Chairman welcomed the witnesses and invited Mr. Cormier to make an opening statement.

Mr. Cormier's remarks referred primarily to his current annual report, and provided an overview of his prime concerns:

- the need for a strengthened central management function;

- the need for a greater degree of value for money reviews in all segments of government expenditures; AND

- revisions to the Auditor General Act, primarily relating to the methods of appointment and a transfer payment audit mandate.

Meeting Summary
April 13, 1988

The Chairman asked Mr. Cormier to provide the Committee Secretary with a copy of his opening remarks, for distribution to the Members.

Questions/Comments of Committee Members:

OFFICIAL OPPOSITION MEMBER(S)

Mr. Vincent MacLean: asked Mr. Cormier why he recommended the strengthening of the middle management team in government; and if he felt the problem could in some way be attributed to hiring practices whereby the most competent people are not being interviewed.

With reference to the situation at the Victoria General Hospital, Mr. MacLean asked if the Minister responsible had reacted to his recommendations.

Mr. MacLean asked Mr. Cormier if any other government-run institutions, Crown Corporations or Agencies had been as unco-operative in meeting with him as the Victoria General Hospital had been; and if he had been able to determine the reason for this attitude of the V.G.H. board.

Mr. MacLean asked Mr. Cormier if he had ever had the opportunity to look at methods in cash management used by the Registry of Motor Vehicles; and asked his view with regard to cheques totalling as much as $4 Million waiting to be deposited due to a computer malfunction. He further commented that computer problems were also to blame for delays in student aid and asked if the government had the resources to hire competent people to design more efficient programs.

THIRD PARTY MEMBER:

Mr. John Holm: asked Mr. Cormier if he had looked into the practices associated with office rentals and, if not, would he be doing so in future.

Regarding Health Services Tax, he asked Mr. Cormier the size of the 20 accounts he had examined, and if he felt a wider audit was warranted.

GOVERNMENT MEMBER(S):

Mr. David Nantes: asked Mr. Cormier to clarify his comments on the need for a more strengthened management structure and the role of an internal audit. He asked him if one of the problems could be that the government

did not act as swiftly as the private sector in dealing with the removal of unsuitable personnel; and if it was Mr. Cormier's view that Management Board should review the recommendations of people to key positions.

Hon. Ronald Russell: noted that the Victoria General Hospital recognized that there was a budgetary problem about a year ago and that he, as Minister of Health at that time, put in place an outside agency to look at the financial operations of the hospital. He noted that public perception must be a prime concern when carrying out this type of investigation.

The Hon. Mr. Russell noted further that he agrees with the examination of the universities and other areas where the government provides the majority of funding.

2nd Round:

OFFICIAL OPPOSITION MEMBER(S)

The Chairman: asked Mr. Cormier to provide the Committee, as in previous years, with:

1. a breakdown and explanation of additional appropriations in excess of $50,000 (noted on page 60-61 of his report) that were approved after the end of March 1987.

2. a breakdown of amounts written off and increases in the reserve for doubtful accounts (noted on page 45 of 1987 Public Accounts, Volume I).

The Chairman asked Mr. Cormier his views with regard to the budget, due to be tabled in a few day's time.

He commented on the statement in Mr. Cormier's report that the Cabinet Committee on Legislation was reviewing his suggested changes in the Auditor General Act, with a view to introducing revised legislation for the 1988 Session of the House of Assembly. Given that the Session was halfway through, the Chairman asked Mr. Cormier if he still expected it to be introduced; and if he intended to approach the government to determine whether this would be coming forward.

Mr. Vincent MacLean: asked Mr. Cormier whether or not he was aware if the Supplement to the Public Accounts would this year include a breakdown of ministerial expenses.

Meeting Summary
April 13, 1988

THIRD PARTY MEMBER

Mr. John Holm: asked Mr. Cormier if it was his opinion that the government was tolerating breaches of the law in dealing with doubtful accounts for the Venture Corporations Board; and how the doubtful accounts correlate to those who have not filed the required information.

Referring to the Auditor General's comments, in his report, on the Fire Marshal's office, Mr. Holm asked Mr. Cormier if he could indicate what improvements, if any, were being made.

GOVERNMENT MEMBER(S)

Hon. David Nantes: commented on the administrative problems associated with the operation of the Fire Marshal's Office and indicated that it is a very complicated matter. He asked Mr. Cormier if, now that the province had adopted a province-wide standard for building codes, this would improve the situation.

He commented further on transfer payments as they relate to value for money type audits. He noted that various elected bodies have differing philosophies, but that the Department of Municipal Affairs appears to have much more control over its funding than the school boards or universities have.

Hon. Ronald Russell: asked Mr. Cormier if it is a function of the Auditor General's Department to determine whether or not aspects of the current university system are justified.

Hon. David Nantes: asked Mr. Cormier if he would consider going as far as looking at the overall picture of universities as it relates to duplication of courses. He noted that the recommendations of the Royal Commission on Post Secondary Education had not been acted upon by the universities.

Meeting adjourned: 11:03 a.m.

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, April 20, 1988
9:00 a.m.

Members Present

Dr. William Gillis, Chairman
Hon. G. David Nantes
Hon. Ronald Giffin
Hon. Ronald Russell
Mr. George Archibald
Dr. James MacLean
Mr. Vincent MacLean
Mr. John Holm

Ms. Dianne Stillman, Committee Secretary

WITNESSES:

Mr. O. Paul Cormier
Auditor General

Mr. Roy Gunn
Deputy Auditor General

Mr. James Butler
Assistant Auditor General

The Chairman welcomed the witnesses and invited Mr. Cormier to make an opening statement.

Mr. Cormier made a brief statement in which he made reference to two items:

1. background information requested at the meeting of the previous week, which had been circulated to the Committee Members, AND

2. he had been in touch with the Hon. George Moody since the previous meeting and had been assured by him that the government still plans to introduce legislation regarding the proposed revisions to the Auditor General Act.

Meeting Summary
April 20, 1988

Questions/Comments of Committee Members:

OFFICIAL OPPOSITION MEMBER(S)

Mr. Vincent MacLean: asked Mr. Cormier if he had come across weaknesses, such as that in the Victoria General Hospital, in any other Provincial Government operations.

He asked Mr. Cormier to illustrate his concerns regarding the need for a greater degree of value for money reviews in all segments of government expenditures.

Regarding the Health Services Tax Division, he asked Mr. Cormier why the Division's collection methods need to be improved; if an assessment had been done of the larger outstanding accounts; and, if the policy used in dealing with such accounts was a consistent one.

The Chairman: asked Mr. Cormier if he felt the Tax Commission had enough qualified auditors.

THIRD PARTY MEMBER:

Mr. John Holm: regarding the comments in his 1987 report on the readiness of clients to be audited, he asked Mr. Cormier to expand on the problems encountered; to confirm the names of audit clients who caused any difficulty in this regard; and, if these problems could be caused by insufficient trained staff.

GOVERNMENT MEMBERS:

Hon. Ronald Russell: asked Mr. Cormier if he had any general views regarding the proposed increase in reporting levels in the Supplement to the Public Accounts.

He asked Mr. Cormier if he, as Auditor General, has the right to carry out value for money audits, under existing legislation; and, if he feels that an amendment to the Auditor General Act would enable him to more efficiently carry out this task.

Regarding the audit staff of the Department of Finance, he asked Mr. Cormier if there were enough qualified personnel, given the present volume and the complexity of the laws under which they operate.

Meeting Summary
April 20, 1988

Second Round:

OFFICIAL OPPOSITION MEMBER(S)

The Chairman: proposed that on a future day, this Committee would have a discussion on changes to the Public Accounts Supplement, as suggested by the Minister of Finance in his letter of April 19 (circulated to Members at the start of the meeting).

He asked Mr. Cormier for his impression of the approach used by the Tax Commission in conducting its audits.

He asked Mr. Cormier if auditors or collection officers were encouraged to perform their duties to the best of their abilities.

With regard to Health Services Tax, he asked Mr. Cormier his views regarding the increase in write-offs between 1985 and 1987; and, he requested that Mr.Cormier provide the Committee with a ballpark figure for the write-offs as of March 31, 1988.

He asked Mr. Cormier if he had received any reaction from the government regarding his suggestion (p.88 - 1987 Report of the Auditor General) concerning the setting up of an independent body for appeals.

He asked Mr. Cormier if he had made any hard recommendations on staff training to the Tax Commission.

Mr. Vincent MacLean: asked Mr. Cormier to review the present method of dealing with the Health Services tax rebate (i.e. on cigarettes) as it relates to native people and individuals with tax exempt numbers.

THIRD PARTY MEMBER

Mr. John Holm: asked Mr. Cormier to provide the Committee with a list of the names of those accounts which had their Health Services Tax written off (provided it was not confidential); and, what guidelines are used to determine that an amount is too small to warrant trying to collect it.

He asked Mr. Cormier to elaborate on his concerns, raised in his 1985 Report, about the administration of the loan to Portland Estates Limited; whether he was aware of any additional loans being made either directly or indirectly to this company; if any loans or portions of loans had been written off since that time; and, the current status of the debt.

Meeting Summary
April 20, 1988

GOVERNMENT MEMBER(S)

Hon. Ronald Russell: asked Mr. Cormier to explain how the proposed amendment to the Auditor General Act would affect the work of his department; and if he would need additional staff to handle the increased workload.

Third Round:

OFFICIAL OPPOSITION MEMBER(S)

The Chairman: asked Mr. Cormier and/or Mr. Gunn to provide the Committee with a summary of the status of loans to Portland Estates Limited.

He asked Mr. Cormier the reasons behind his department's decision to switch from employing chartered accountant students to management accountant students.

THIRD PARTY MEMBER

Mr. John Holm: regarding Portland Estates Ltd., asked Mr. Cormier if any of the loans or back arrears had been written off; how many payments had been made through to the end of February 1988; and if the Auditor General was aware of any grants made to the City of Dartmouth by the Department of Development to offset the Portland Estates portion of the sewer system.

GOVERNMENT MEMBER(S)

Hon. Ronald Russell: asked Mr. Cormier to clarify his view as to the qualifications necessary for the post of Auditor General.

Meeting Adjourned: 11:01 a.m.

APPENDIX II-A

Nova Scotia

Auditor General

PO Box 793
Halifax, Nova Scotia
B3J 2V2

April 19, 1988

Dr. J. William Gillis
Chairman
Public Accounts Committee
Province of Nova Scotia
Halifax, N.S.

Dear Dr. Gillis:

At the April 13, 1988 meeting of the Public Accounts Committee, there were requests for certain additional information to be provided the Committee by our office. I take pleasure in so doing, and enclose 12 copies of the following:

Schedule 1 - details of accounts written off during the year, according to Statement 19 of the Public Accounts;

Schedule 2 - details on Additional Appropriations in excess of $50,000 approved after March 31, 1987; and

Schedule 3 - details of reserves re Venture Corporation Act.

Yours very truly,

O.P. Cormier, F.C.A.
Auditor General

JRB/pt
Encl.

RESERVE FOR DOUBTFUL ACCOUNTS
FURTHER DETAIL FOR FISCAL YEAR ENDED
MARCH 31, 1987

SCHEDULE 1

Written off during year		
Accounts Receivable		
Health Services Tax		$ 2,318,413
Write off of 310 accounts, too small to warrant cost of further collection efforts, or in bankruptcy, receivership or out of business.		
Attorney General		259,838
Uncollectible fines		
Environment		
Uncollectible charges for water service		
- Cheticamp Fishermen's Co-operative Society Ltd.	$150,255	
- 7 small accounts	1,990	152,245
Sundry small write-offs		52,733
		2,783,229
Capital Advances		
Agriculture and Rural Credit Act		425,867
Property foreclosed upon and resold; no further security upon which to levy; no recovery of remaining balances is possible.		
Fisheries Development Act		
Atmar Marine	$1,286,624	
G&B Fisheries Ltd.	886,776	2,173,400
The boats have been arrested, advertised and sold; no further security available.		
Housing Development Act		
- arrears due to bankruptcy, deceased, no chance of recovery	$ 321,799	
- write off of Land Bank/Land Assembly	1,424,275	1,746,074
Industrial Development Act		1,282,890
Industrial Loan Fund		2,175,180
8 business ceased to operate, all assets liquidated.		
Small Business Development Act		549,835
12 companies out of business, all assets sold		
Sundry small write offs		2,294
Total Per Statement 19, page 45 1987 Public Accounts		$11,136,477

Approval for Write off - O.I.C. #87-781

Schedule 2

ADDITIONAL APPROPRIATIONS
FISCAL YEAR ENDED MARCH 31, 1987

(In excess of $50,000 approved after March 31, 1987)

OIC#	Date Approved	Department and Vote	Amount	Reason
87-0434	07-Apr-87	Lands & Forests-Operations	$ 57,100	Operating expenditures for new parks were not included in the budget.
87-0436	07-Apr-87	Transportation - Capital	4,395,523	Cash flow on several projects forecast to exceed estimates and new projects added to the capital program.
87-0727	09-Jun-87	Registry of Motor Vehicles	828,800	Budget was insufficient to meet costs relating to the purchase and mailing of alpha-numeric plates resulting from registration changes.
87-0837	14-Jul-87	Attorney General - General Administration	67,611	The sum appropriated for the said service is inappropriate.
87-0838	14-Jul-87	Health - Health Services and Insurance Commission	5,797,000	The appropriation did not include funds for tariff increase to the medical and dental components of the plan in the amount of $3,607,000. Planned reductions were not achieved in the following areas; dental surgical $750,000 children's dental plan $1,200,000 A sum of $240,000 was required to offset an adjustment to the 1986-87 budget estimates.

OIC#	Date Approved	Department and Vote	Amount	Reason
87-0836	14-Jul-87	Public Service Gasoline and Fuel Oil Licensing Act - Administration	$ 65,400	The sum appropriated for the said service is inappropriate.
87-0902	28-Jul-87	N.S. Research Foundation Corporation	86,000	Salary increases not bugeted for in 1986-87 estimates.
87-0921	05-Aug-87	Education - Grants	7,045,000	The additional appropriation was required for the following:
				Grants to school boards $7,535,600 Non-formula grants 375,000 Debt service (361,000) Learning materials 53,400 Bursary program (557,200)
87-0923	05-Aug-87	Assistance to Universities	317,400	The additional appropriation was required for the following:
				Operating grants $1,026,400 Alterations and renovations 159,200 Debt charges - interest (509,000) Debt charges - sinking fund (359,200)
87-0921	05-Aug-87	Education - Education Resource Services	479,100	Grants to library boards were larger than anticipated, and a new funding procedure resulted in grants being paid sooner.

OIC#	Date Approved	Department and Vote	Amount	Reason
87-0921	05-Aug-87	Education - Teachers' Pension Contributions	$ 483,000	Increased in purchase of prior service by teachers for sick time, early retirement and increased qualifications required higher contributions.
87-0922	05-Aug-87	Education - Capital Grants	523,400	Increased formula rates for capital repairs and renovations and overexpenditures on emergency repairs.
87-0979	18-Aug-87	Health - Health	2,212,300	Victoria General Hospital exceeds its budget by $3,325,900. The early retirement incentive plan was not budgeted for in the amount of $286,000. Overexpenditures were reduced by underexpenditures in other areas within the vote.
87-1010	25-Aug-87	Social Services - Public Assistance	1,531,847	Payments to Municipal Units for General Assistance are forecast to be overspent by $2,143,900. This amount was reduced by underspending in other areas within the vote.
87-1010	25-Aug-87	Social Services - Administration	402,520	The following budget subjects were forecast to be overspent:
			Executive Management	37,700
			Senior Citizens Secretariat	211,100
			Financial Services	134,900

OIC#	Date Approved	Department and Vote	Amount	Reason
87-1010	25-Aug-87	Social Services - Family and Children's Services	$ 710,946	The following budget subjects are forecast to be overspent:
				Apprehension costs 160,000
				Payments to Children's Services agencies 139,400
				Payments to Agencies for Unmarried Mothers 195,500
				Homemakers Subsidy 356,100
87-1087	09-Sep-87	Public Service - Protocol Office	88,969	Additional costs associated with official hospitality.
87-1086	09-Sep-87	Public Service - Workers' Compensation Board	114,820	Level of cases brought before the Board exceded the estimated amount.
87-1081	09-Sep-87	Public Service - Government House	56,467	Costs associated with the increased activity of the Lieutenant Governor.
87-1080	09-Sep-87	Public Service - Policy Board	149,247	Additional staff was not allotted for in the budget. Telecommunications costs were inaccurately estimated.
87-1084	09-Sep-87	Tourism - Hotel Operations	266,200	Unanticipated expenses to meet guest requirements and costs associated with the Canada Winter Games.
			25,678,650	
Remainder, less than $50,000 each			146,891	
			$25,825,541	

SCHEDULE 3

INDUSTRIAL EXPANSION FUND
LOANS UNDER VENTURE CORPORATIONS ACT
CALCULATION OF ALLOWANCE FOR DOUBTFUL ACCOUNTS
MARCH 31, 1987

	Allowance for Doubtful Accounts 1987	1986
Known or anticipated losses		
- 8 accounts	$ 2,463,400	
- 5 accounts		$ 1,831,000
General provision		
(A percentage of loans outstanding after deducting known losses)		
($10,504,723 - $2,463,400) x 38%	3,055,088	
($8,573,890 - $1,831,000) x 32%		2,169,000
Allowance for Doubtful Accounts	$ 5,518,488	$ 4,000,000

Nova Scotia

Auditor General

PO Box 793
Halifax Nova Scotia
B3J 2V2

May 3, 1988

Dr. J. William Gillis, MLA
Chairman
Public Accounts Committee
Province of Nova Scotia
Halifax, N.S.

Dear Dr. Gillis:

At the April 20, 1988 meeting several requests for additional information were made. These are dealt with in the attached schedules.

Schedule 1 - Portland Estates Limited
Status of Loans due Province of Nova Scotia

Schedule 2 - Portland Estates Limited
Information concerning sewer project in City of Dartmouth, as requested by Mr. Holm

Schedule 3 - Health Services Tax
Information on possible write-offs for March 31, 1988 fiscal year

In addition, there was a request by Mr. John Holm to provide information regarding write-offs of accounts for health services tax for the March 31, 1987 fiscal year, providing this information is not confidential. The Deputy Attorney General currently has this matter under consideration, with a view to advising me as to what legal implications concerning confidentiality there might be under the Freedom of Information Act and the Health Services Tax Act. I shall advise you of his opinion regarding this matter when it is received.

Yours very truly,

O.P. Cormier
Auditor General

OPC/nm
Encl.

SCHEDULE I

PORTLAND ESTATES LIMITED
STATUS OF LOANS DUE TO PROVINCE OF NOVA SCOTIA

Balance due October 1, 1984 (per agreement dated September 24, 1984 ratified by Order in Council 85-787, dated July 23, 1985)		$1,708,170
Period - October 1, 1984 to September 10, 1987		
Interest at 14%	$850,248	
Less: Proceeds 24 lots @ $3,000	72,000	778,248
Balance due September 10, 1987 (at which time minimum monthly payments of principal and interest of $57,351 commencing on October 10, 1987 were to be made to repay this amount over a five-year term.)		2,486,418
Period - September 11, 1987 to April 10, 1988		
Interest at 14%	$198,383	
Less: Proceeds 38 lots at $3,000	114,000	84,383
Balance due April 10, 1988		$2,570,801

Calculation of Arrears	
Payments due to April 10, 1988 7 at $57,351	$401,457
Less: Proceeds from land sales remitted	114,000
Amount in arrears at April 10, 1988	$287,457

SCHEDULE 2

INFORMATION CONCERNING SEWER PROJECT CITY OF DARTMOUTH

The following summary information has been obtained by our Office, from a review of documentation from the Department of Industry, Trade and Technology.

To date, the Province has provided $2,502,007 of a total expected cost of $2,700,000 to the City of Dartmouth for the South Dartmouth Trunk Sewer Project.

The funds were provided from the Canada-Nova Scotia (Offshore) Development Fund under the Woodside Ocean Industry Park project. The description of this portion of the project, as approved by the Federal Government, is as follows:

> "It is proposed to open up new residential and industrial land in the Woodside area of Dartmouth, through the installation of a combination gravity and forced sewage line. This new sewer service will extend from the Russell Lake area, along the north side of the Circumferential Highway, within the Woodside Industrial Park, to Pleasant Street in the area of the Esso Oil Refinery.
>
> The installation of this sewer line will provide the potential for not only more industrial land, but also open up large areas of related residential and commercial land in the Russell and Morris lakes area of south Dartmouth."

The completed project will provide sewage facilities to 1152 acres, of which 616 acres are in Portland Estates.

SCHEDULE 3

HEALTH SERVICES TAX
POSSIBLE WRITE-OFFS FOR MARCH 31, 1988 FISCAL YEAR

We were requested by the Chairman, Dr. Gillis to provide a "ball park" figure for the write-offs as at March 31, 1988, if that information is not confidential.

This amount has not yet been finalized or formally approved by the Department of Finance. However, we have been advised by the Department that it is likely to be in a range of $2.5 to $2.8 million, in consideration of the fact that most of the accounts reserved at March 31, 1987 have either not been collected to date, nor are they considered collectable at this time.

Report of the
Standing Committee on Public Accounts

DEPARTMENT OF GOVERNMENT SERVICES
APPENDIX III

Summary

SCHEDULE III

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, April 27, 1988
9:00 a.m.

Members Present

Dr. William Gillis, Chairman
Hon. G. David Nantes
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. Brian Young
Mr. George Archibald
Dr. James MacLean
Mr. Vincent MacLean
Mr. John Holm

Ms. Dianne Stillman, Committee Secretary

Observer:
Hon. Michael Laffin
Minister of Government Services

WITNESSES:

Representing the Department of Government Services

Mr. Michael Zareski
Deputy Minister

Mr. Darrell Hiltz
Executive Director
Property and Operations Services

Mr. John MacLean
Director
Property and Operations Services

The Chairman opened the meeting by welcoming the witnesses and advising the Committee that, prior to the meeting, the Witnesses indicated their preference to defer to questioning by Members rather than make an opening statement.

Meeting Summary
April 27, 1988

Questions/Comments of Committee Members:

OFFICIAL OPPOSITION MEMBER(S)

Mr. Vincent MacLean: asked Mr. Zareski why he signed a lease for space within the Joseph Howe Building with Centennial Properties (July 30, 1987), who were not the owners at the time and did not become owners until August 12, 1987; and why the deal struck with Centennial Properties was at such a higher rate than the offer of the owners, Confederation Life.

He asked Mr. Zareski if an offer to purchase had ever been made to Confederation Life; suggested that Mr. Zareski knew that Centennial Properties had an option to buy, before signing the rental agreement; and asked if a Minister had directed him to arrange a 25 year lease/purchase agreement.

He asked Mr. Zareski why 11,000 rented square feet in the Centennial Building is unoccupied; and how much revenue is being drawn, by the provincial government, from other tenants.

He asked Mr. Zareski why he was not prepared to table the lease for the Joseph Howe Building that was signed on July 30, 1987; if the appraisal was done on the building after the government agreed to pay $18-$22 per square foot; how much previous tenants had paid; and why the Freedom of Information Act prevented Mr. Zareski from answering.

THIRD PARTY MEMBER

Mr. John Holm: asked Mr. Zareski to explain the procedure used when renting office space and the role of the Space Utilization Committee.

He asked Mr. Zareski what percentage of government office space was in the downtown area and if a cost study had ever been done to determine the viability of decentralizing this space.

He asked Mr. Zareski where the Departments of Tourism, Small Business Development and the Solicitor General would be relocated and at what price.

GOVERNMENT MEMBER(S)

Hon. Ronald Russell: asked Mr. Zareski about the history of the Joseph Howe Building as it pertained to rental agreements by this and past governments; and

how the leasehold compares with other buildings in the core area of downtown Halifax.

He asked if it is common practice for leases to be signed with agents, rather than owners, as in this instance; how the deal with the Joseph Howe Building compares to the deal with One Government Place; the difference between the straight rental basis rate as compared to the lease-purchase rate per square foot; and how other developers view this deal.

He asked Mr. Zareski how much space would be available to government in the downtown core area of Halifax, should the government vacate the Joseph Howe Building; and, how often the Space Utilization Comittee meets and the procedures it follows.

2nd Round:

OFFICIAL OPPOSITION MEMBER(S)

Mr. Vincent MacLean: asked Mr. Zareski why he could not release figures relating to previous lease agreements for the Joseph Howe Building; and if the cost of the deal for this Class B building was the same as in a Class A building; and, who signed the lease of July 30th and why the short form of this lease was sent to the Registry Office.

He asked Mr. Zareski to produce documentation on the lease-purchase arrangement; and who has instructed him not to release the lease; and if he felt that it was good economics to purchase the building for $60 Million when it could have been bought for $11-12 Million from the previous owner.

He also asked Mr. Zareski why it was necessary to lease space in this building when there was still space available in the Centennial Building at a much lower rate.

THIRD PARTY MEMBER

Mr. John Holm: asked Mr. Zareski to explain why a copy of the lease cannot be made public.

He also asked Mr. Zareski for the approximate square footage of government-held office space as compared to eight years ago; and how much of it is in the metropolitan Halifax area; and asked why the government does not tender for office space.

Meeting Summary
April 27, 1988

Regarding the Dominion Building (the new home of the Art Gallery of Nova Scotia), he asked Mr. Zareski about the original estimate of the cost of renovations (interior and exterior), in comparison with the current cost and, if he did not have the information with him, would he forward it to the Chairman.

GOVERNMENT MEMBER(S)

Hon. Ronald Russell: asked Mr. Zareski if, given the proper authority, he could release information on past leases; and, suggested that given the fact that the various landlords are in competition with one another, it might be insensitive to release some of this data.

He also asked Mr. Zareski to explain how rental rates have escalated; and if the Department of Government Services is doing as well as the private sector in this respect.

3rd Round:

OFFICIAL OPPOSITION MEMBER(S)

Mr. Vincent MacLean: asked Mr. Zareski for details on management fees to Centennial Properties; if the long form of the lease of July 30, 1987, which contains reference to the lease-purchase arrangement, sets out the schedules and premiums to be paid; if, before making this arrangement, he had a survey conducted to determine the value of the building and of the leases; and if Cabinet had approved the purchase.

He asked Mr. Zareski for the names of the members of the Space Utilization Committee.

He also asked Mr. Zareski for the names of the members of the Space Utilization Committee.

He asked Mr. Zareski to explain the rental arrangements the government has with its own tenants.

THIRD PARTY MEMBER

Mr. John Holm: asked Mr. Zareski if the Auditor General had been auditing his department.

He asked Mr. Zareski if the government has made loans or loan guarantees to the developer; and could he release a copy of the lease with the confidential sections deleted.

With regard to the Dominion Building, he asked Mr. Zareski how CanStone had been selected and if local companies had been considered.

Other Business:

The Chairman asked Members for their views pertaining to the Minister of Finance's suggestions regarding the increase of reporting levels in the Supplement to the Public Accounts. Members will be prepared to discuss this at the next meeting.

The Chairman noted a change in meeting time for the next meeting and advised that this meeting would be jointly held with the Standing Committee on Economic Development.

Meeting adjourned: 10:55 a.m.

NOVA SCOTIA POWER CORPORATION
APPENDIX IV

Summary

APPENDIX IV

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, May 4, 1988
8:30 a.m.

Members Present

Dr. William Gillis, Chairman
Hon. Ronald Giffin,
Hon. Ronald Russell
Hon. Brian Young
Mr. George Archibald
Mr. Vincent J. MacLean
Mr. John Holm

Ms. Dianne Stillman, Committee Secretary

Also in attendance, were the following Members of the Standing Committee on Economic Development:

Mr. Jack Coupar, Chairman
Hon. Greg Kerr
Hon. George Moody
Mr. Vincent J. MacLean
Mr. Guy Brown
and
Dr. Gerald Sheehy, replacing Mrs. Cora Etter

WITNESSES:

Representing the Nova Scotia Power Corporation:

Mr.Louis Comeau
President and Chief Executive Officer

Mr.Oliver O'Rourke
Vice-President - Finance

Mr. Gerald Lethbridge
Vice-President - Engineering and Production

Mr. Leonard J. Sweett
Vice-President - Customer Services

Meeting Summary
May 4, 1988

Mr. Jack Coupar chaired the meeting and began by inviting Mr. Comeau to make an opening statement.

In his remarks, Mr. Comeau referred to his report which was circulated to Committee members at the start of the meeting. He made particular note of the current financial situation as it pertained to the equity and the rate stabilization fund.

Questions/Comments of Committee Members:

OFFICIAL OPPOSITION MEMBER(S):

Mr. Vincent Maclean: queried the witnesses on the settlement of claims along the Annapolis River; and if they were prepared to do a new study to assess long term effects; or allow the decision to go to third party arbitration.

Dr. William Gillis: asked the witnesses for the balance of the Rate Stabilization Fund as of March 31, 1988; and commented on the debt ratio of the Corporation in comparison to that of publicly owned corporations in Canada.

THIRD PARTY MEMBER

Mr. John Holm: asked if the Corporation is presently planning to apply for any rate increases and if not, if that is due to political pressure.

He also asked the witnesses if they had compared the cost per kilowatt hour of power produced in Quebec versus Nova Scotia; and if it is realistic to assume Nova Scotia can compete with other markets.

GOVERNMENT MEMBER(S)

Hon. Greg Kerr: regarding the settlement of claims along the Annapolis River, asked the witnesses when they expected this matter would be resolved; and if final offers could be made within the month.

Dr. Gerald Sheehy: commented that he had heard very positive remarks about the settlement of claims along the Annapolis River and asked the witnesses to elaborate, if possible on the outstanding issues. He also enquired as to the amount of power the generating station is presently producing; and if the river bank appeared to be stabilizing.

Meeting Summary
May 4, 1988

Hon. Ronald Russell: asked where the Corporation purchases its wooden power poles; and if it had been considered to purchase reinforced concrete poles which could be manufactured in Nova Scotia; also, he enquired as to whether it would be possible to make some arrangement whereby Cable TV companies could utilize the hydro poles for no charge, enabling rural communities to take advantage of this service.

He also asked the witnesses to confirm that the present stock of transformers containing PCB's would be removed from service sometime this year.

He asked the witnesses to define the use of the rate stabilization fund.

With regard to the proposed export of power to Boston Edison, he asked how that much power can be coal-produced and still stay within emission control limits.

2nd Round:

OFFICIAL OPPOSITION MEMBER(S)

Mr. Vincent J. MacLean: asked the witnesses the amount for total compensation paid out by the Corporation for the Annapolis River claims; and, the part of the settlement that is creating the difficulties; and, if the delay is because the Corporation feels no responsibility for the flooding on the Belle Isle Marsh; and, if the Corporation stood behind the agreements made between Mr. Ray MacNeil of NSPC, and the claimants.

He asked Mr. Comeau to follow up on a letter he sent to a Mr. and Mrs. Lawrence Richardson of Middleton, N.S. on January 19, 1988 with reference to the extension of power to their home.

He asked Mr. Comeau for the price range per square foot the Corporation will be paying to Halifax Developments for a 20 year lease, currently being negotiated for space within the Scotia Square complex.

He asked for confirmation that Mr. Don Ripley of Midland Doherty is now handling all the bond issues of the Corporation.

Dr. William Gillis: regarding rate increases, asked why the Corporation had not approached the Public Utilities Board in early 1988 as Mr. Comeau had indicated on May 1, 1987.

He then asked for a ballpark figure on the what the delivered cost of power to New England per kilowatt hour would be; and the current cost per kilowatt hour for power delivered in Nova Scotia; and the costs associated with any completed or future studies into the sale of power to New England.

Regarding, the construction of power plants, Dr. Gillis asked the witnesses if there are plans to construct a new plant in Cape Breton at about the same time as Trenton 6; and if an additional plant is to be built, when will the application be made to the Public Utilities Board and where will it be located; and when complete, the total capacity of the Trenton plant.

THIRD PARTY MEMBER

Mr. John Holm: asked Mr. Comeau why a site had not been selected for the additional power plant; and why he had not approached the Public Utilities Board; and if politics were involved in the decision-making.

He asked the witnesses for their view on the use of waste products from large pulp and paper companies (i.e. wood chips) to generate electricity.

Third Round:

OFFICIAL OPPOSITION MEMBER(S)

Dr. William Gillis: asked if it is the policy of the Corporation to contract out to the maximum extent possible.

He also asked if any thought is being given to privatization of power plants.

Other Business

The Chairman of Public Accounts, Dr. William Gillis advised members that their next meeting would be held in one week and the witnesses would be representatives of the United Steelworkers Union, Local 1064 and Sydney Steel Corporation. That meeting would also be a joint meeting with Economic Development.

Meeting Adjourned: 11:02 a.m.

Report of the
Standing Committee on Public Accounts

UNITED STEELWORKERS OF AMERICA - LOCAL 1064
APPENDIX V

Summary

APPENDIX V

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, May 11, 1988
8:30 a.m.

Members Present

Mr. George Archibald, Vice-Chairman
Hon. Ronald Russell
Hon. G. David Nantes
Hon. Brian Young
Mr. Vincent J. MacLean
Mr. John Holm
and
Mr. Guy Brown, replacing Dr. William Gillis

Ms. Dianne Stillman, Committee Secretary

Also in attendance, were the following Members of the Standing Committee on Economic Development:

Mr. Gardner Hurley, A/Chairman
Hon. Greg Kerr
Hon. George Moody
Mr. Vincent J. MacLean
Mr. Guy Brown
Mrs. Alexa McDonough
and
Dr. Gerald Sheehy, replacing Mrs. Cora Etter

WITNESSES:

Representing the United Steelworkers of America, Local 1064:

Mr. John Callaghan
President

Mr. Charles MacDonald
Financial Secretary

Mr. Andy Gillis
Area Representative

Meeting Summary
May 11, 1988

Mr. George Archibald chaired the meeting. He introduced the witnesses and invited them to make an opening statement. Mr. Callaghan deferred to the questions of Members.

Questions/Comments of Committee Members:

OFFICIAL OPPOSITION MEMBER(S):

Mr. Vincent Maclean: asked the witnesses for their views with regard to the effect of the modernization of the plant on the employees; and what role the current blast furnace will play.

He asked the witnesses if, during the recent strike, it was necessary for management to close the Coke Ovens in the manner in which it was done; and, has any progress been made in the quest to have automatic assumption applied to the coke oven workers; and, the number of people employed in demolishing the Coke Ovens and the length of time it will take to complete the work.

He asked about the progress being made in the tar ponds cleanup; and how many workers (other than engineers and consultants) were actually employed there.

With regard to the recent strike, he asked the witnesses what the Union gained in the way of a wage settlement and reclassifications.

He also asked the witnesses if, in their view, the management of Sydney Steel had the necessary steelmaking expertise; and, if they had any response from government with reference to a full industrial enquiry to Sydney Steel.

THIRD PARTY MEMBER(S)

Mrs. Alexa McDonough: asked the witnesses if they have been kept informed of the details of the modernization process; and, if they have had any indication that the modernization will provide for some diversification and introduction of production lines in addition to rails; and, if the electric arc would be dependent on very expensive scrap metal, should the blast furnace cease to operate.

She also asked how much coke had been stockpiled and if the stockpile is now being used; and, if offshore coke is now being imported.

She asked the witnesses if the labour-management relations had improved since the strike; and, if they would recommend that this Committee support them in their request for an industrial enquiry.

Regarding the Auditor General's statement that $74 million was unaccounted for during the 1970's at Sydney Steel, she asked if, in their view, this was a result of bad management decisions; and, how much more they felt had been wasted since then.

GOVERNMENT MEMBER(S)

Hon. Ronald Russell: asked Mr. Callaghan how he could equate viability with keeping both the blast furnace and the electric arc furnace in operation.

He also asked if they were suggesting that Algoma was going out of the rail making business; and, where they obtain their research material.

Hon. G. David Nantes: asked the witnesses if they had done a cost analysis to determine the mismanagement of funds at Sydney Steel; and, if they had any documentation to back up their statements.

AT THIS POINT, **Mrs. McDonough** circulated to Members, copies of a statement that was made by Local 1064 and distributed to all parties on February 12, 1988, which outlined their concerns and the need for an industrial enquiry.

2nd Round:

OFFICIAL OPPOSITION MEMBER(S)

Mr. Vincent MacLean: although he expressed support of an industrial enquiry, he asked if the witnesses felt there was a more pressing need to have someone in whom they felt confidence, to oversee money management at the plant; and, if they felt that a workers' controlled cooperative could form a management team that would work harmoniously with Union.

THIRD PARTY MEMBER(S)

Mrs. Alexa McDonough: asked the witnesses if they are still making an effort to gain access to financial records, with the assurance that the information will be kept confidential.

Meeting Summary
May 11, 1988

Regarding the testing of toxicity levels in the Coke Ovens emissions, she asked if the report, which was completed in December, had been distributed to the steelworkers; and if that information had been known to the Minister of Labour; and, if they are of the view that the Minister feels more study is needed.

Meeting Adjourned: 9:34 a.m.

SYDNEY STEEL CORPORATION
APPENDIX VI

Summary

APPENDIX VI

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, May 11, 1988
9:40 a.m.

Members Present

Mr. George Archibald, Vice-Chairman
Hon. Ronald Russell
Hon. G. David Nantes
Hon. Brian Young
Mr. Vincent J. MacLean
Mr. John Holm
and
Mr. Guy Brown, replacing Dr. William Gillis

Ms. Dianne Stillman, Committee Secretary

Also in attendance, were the following Members of the Standing Committee on Economic Development:

Mr. Gardner Hurley, A/Chairman
Hon. Greg Kerr
Hon. George Moody
Mr. Vincent J. MacLean
Mr. Guy Brown
Mrs. Alexa McDonough
and
Dr. Gerald Sheehy, replacing Mrs. Cora Etter

WITNESSES:

Representing the Sydney Steel Corporation:

Mr. Ernest Boutilier
President

Mr. Michael Cochrane
Chairman of the Board

Mr. Robert Skinner
Vice-President - Finance

Meeting Summary
May 11, 1988

Mr. George Archibald introduced the witnesses and invited them to make an opening statement. Mr. Cochrane deferred to the questions of Members. He noted, however, that some information may be confidential in nature.

Questions/Comments of Committee Members:

OFFICIAL OPPOSITION MEMBER(S):

Mr. Vincent Maclean: asked the witnesses for some financial information, particularly the total cumulative losses from 1968 up to March 31, 1988.

Regarding the modernization, he asked for the estimated completion date and the anticipated employment levels at that time.

He asked for the names of the members of the Board of Directors and the number of meetings they have held in the past year.

He asked the witnesses to respond to accusations by Union representatives regarding the closure of the Coke Ovens; and why management refuses to take a position and support the coke oven workers in their request for automatic assumption.

He asked how many orders were on the books for Sydney Steel for this year; and, if they had any indication of how much CN will be committing for 1988-89; and, if they had any knowledge of Algoma moving out of the rail business.

Regarding the modernization process, he asked the Witnes essif regular meetings are being held to keep the Union up to date.

THIRD PARTY MEMBER(S)

Mrs. Alexa McDonough: asked Mr. Boutilier to clarify his statement with regard to joint labour-management meetings; and how he presently viewed the state of labour-management relations at the plant; and, asked if he felt an industrial enquiry could improve the situation.

Meeting Summary
May 11, 1988

GOVERNMENT MEMBER(S)

Hon. Brian Young: asked Mr. Cochrane to comment on the confidence he has in the ability and competence of Tippins to deliver their product.

With regard to the modernization, he asked the witnesses if the totally modernized facility will be up and running in the summer of 1989 or if there will be a phase-in period.

He asked for the tonnage breakdown that generated sales of $71 million for the last fiscal year; and, what is being projected for the first full year of the modernized facility.

He asked for comments on the new caster that is being installed under the modernization plan and the need for it as opposed to recommissioning the 16 year old one that is there.

With regard to the closure of the Coke Ovens, he asked for confirmation that expert outside advice was sought before the decision was made.

Hon. G. David Nantes: asked the witnesses if an industrial enquiry would delay and interfere with the modernization plan and the new business plan.

2nd Round:

OFFICIAL OPPOSITION MEMBER(S)

Mr. Vincent MacLean: asked the witnesses to comment on the differing views of management and union about the state of labour-management relations at the plant; and if Mr. Cochrane would be prepared to sit down and discuss the situation with the Union and report back to the Committee.

Meeting Adjourned: 10:39 a.m.

VICTORIA GENERAL HOSPITAL
APPENDIX VII

Summary

APPENDIX VII

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, May 18, 1988
9:00 a.m.

Members Present

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. G. David Nantes
Hon. Brian Young
Mr. George Archibald
Dr. James MacLean
Mr. Vincent J. MacLean
Mr. John Holm

Ms. Dianne Stillman, Committee Secretary

WITNESSES:

Representing the Victoria General Hospital:

Mr. Wayne Paterson
Chairman - Board of Commissioners

Mr. Richard Criddle
Executive Director

Mr. Wayne Marsh
Comptroller

Dr. Gillis welcomed the witnesses and introduced them to the Members, noting that prior to the meeting, Mr. Paterson had indicated that he would decline the offer to make an opening statement.

Meeting Summary
May 18, 1988

Questions/Comments of Committee Members:

OFFICIAL OPPOSITION MEMBER(S):

Mr. Vincent Maclean: asked the witnesses to explain their response to the warnings of the Auditor General of deteriorating conditions at the hospital since 1979; why it took until 1987 for a study to be done; and how often the Board had met with the Auditor General to discuss these issues.

He asked Mr. Paterson his view of the comments of the Auditor General with regard to the qualifications of the Comptroller; and, what process was used to hire this person.

He asked the witnesses to explain the loss of $268,000 in drugs; and if the RCMP or Halifax Police Department had looked into the matter.

Regarding the overcrowding at the Cardiovascular Unit of the hospital, he asked the Witness for their views on the causes and solutions to this situation.

THIRD PARTY MEMBER

Mr. John Holm: Regarding the loss of drugs, he asked if the proper accounting procedures had since been put in place to assure this did not happen again.

He asked how many beds would be closed this summer and for how long.

He asked the witnesses to explain their hiring practices with regard to full-time versus casual positions.

Regarding security, he asked what measures were in place to provide security for staff in the Emergency Department, especially at night.

GOVERNMENT MEMBER(S):

Hon. Ronald Russell: he asked the witnesses how long it would take to effect changes recommended in the Price Waterhouse study; and, what systems were presently in place for inventory control and management information.

He asked how the Dalhousie Medical School and other related areas would be effected if patients from outside Nova Scotia no longer required the services of the Victoria General, particularly the Cardiovascular Unit.

He asked for details on transplant facilities and the costs involved.

2nd Round:

OFFICIAL OPPOSITION MEMBER(S)

Mr. Vincent MacLean: asked the witnesses about salaries for Residents and Interns and billing procedures to MSI for specialist services.

Regarding the missing drugs, he asked the nature of the drugs and whether or not valium was among them.

He asked Mr. Criddle what, other than high-tech equipment, the hospital was in need of; and, the costs involved in the day to day operation of the hospital.

Also, he asked if the lab ventilation problems had been rectified.

He asked for an explanation of the parking fees for staff as opposed to doctors.

He asked if any study had been done into the cost of the Victoria General Hospital ambulance service as opposed to privately operated ambulances; and, had any complaints been registered with the Victoria General Hospital regarding privately operated services.

THIRD PARTY MEMBER

Mr. John Holm: regarding the loss of drugs, he asked the witnesses if they had an aggregate total of what might have been lost over the past four to five years.

He asked Mr. Criddle to elaborate on his comments regarding the ventilation problems in laboratories.

He asked also, for his comments on the qualifications of ambulance drivers in the private sector.

He asked whether or not certain types of surgery would be delayed because of the closure of beds; and, asked for the average length of stay as compared with previous years.

Meeting Adjourned: 10:26 a.m.

HALIFAX-DARTMOUTH BRIDGE COMMISSION
APPENDIX VIII

Summary

APPENDIX VIII

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, May 25, 1988
8:30 a.m.

Members Present

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. Brian Young
Mr. George Archibald
Mr. Vincent J. MacLean
Mr. John Holm

Ms. Dianne Stillman, Committee Secretary

WITNESSES:

Representing the Halifax-Dartmouth Bridge Commission:

Mr. Reg Prest
Chairman

Mr. Jerry Kay
General Manager

Mr. Basil Gordon
Secretary

The Chairman welcomed the witnesses and introduced them to the Members, and invited them to make an opening statement.

Mr. Prest advised the Committee of the current financial situation at the Bridge Commission, commenting that it had been a very good year, due to the decline in the Swiss franc against the Canadian dollar.

Meeting Summary
May 25, 1988

Questions/Comments of Committee Members:

OFFICIAL OPPOSITION MEMBER(S):

Mr. Vincent Maclean: asked for the names of the Commission's financial advisors; and, if the Commission consults with the provincial Department of Finance regarding debt arrangements; and, if consideration had been given to increasing fares.

He asked about the number of commissionaires employed by the Commission and their rate of pay.

Dr. William Gillis: pointed out that in the calender year 1987, the long term debt increased from $104 Million to $125 Million; asked if any preliminary studies are being done to determine the course of action to be taken in 1989, when the current debt comes due; and, asked how the Macdonald Bridge debt was paid off.

THIRD PARTY MEMBER:

Mr. John Holm: asked if the Commission sought the advice of any financial institutions other than the Bank of Nova Scotia; and if revenues generated from fares are keeping up with maintenance costs; and, if there is another more durable surface material that could be used on the bridge that would require less maintenance.

He also asked how the new ferry service affected bridge traffic.

He asked for a comparison of current insurance liability rates and those of a couple of years ago.

He also asked if there were any long term plans in place to construct another bridge, either across the harbour or the Northwest Arm.

GOVERNMENT MEMBER(S)

Hon. Ronald Russell: asked if, apart from swings in the exchange rate, anything is being paid on the capital debt; and, if exchange rates remain stable, what net profit would be anticipated at the end of the fiscal year; and, if any profit would have to be dedicated to debt retirement; and, what was the reason for the $78,000 operating loss last year.

He also asked what happened to the program developed a couple of years ago to inhibit truck traffic at rush hours; and if the traffic is increasing by 2-3 percent per annum.

He also asked if there are any commercial possibilities with any of the bridge lands, such as a restaurant.

Hon. Brian Young: asked for details of the re-decking of the MacKay Bridge.

Mr. George Archibald: made an observation that the lands on the Halifax side of the MacKay Bridge made a welcoming entrance to the City.

2nd Round:

Dr. William Gillis: asked about salaries for members of Management and honorariums paid to commissioners; and the reason for the hiring of a Manager of the MacKay Bridge, a position which had been vacant for 14 years.

Other Business:

The Chairman asked Government Members for a response to the issue of increases to the reporting levels in the Supplement to Public Accounts. As this information was not available at the moment, the Chairman suggested that discussion be deferred until the next meeting, currently scheduled for June 15.

Meeting Adjourned: 9:30 a.m.

BUSINESS CAPITAL CORPORATION
APPENDIX IX

Summary

-Appendix IXa

Information provided by the President of the Business Capital Corporation at the request of the Committee

APPENDIX IX

MEETING SUMMARY
Standing Committee on Public Accounts

Wednesday, June 15, 1988
8:30 a.m.

Members Present

Dr. William Gillis, Chairman
Hon. G. David Nantes
Hon. Ronald Giffin
Hon. Ronald Russell
Mr. George Archibald
Mr. John Holm

Ms. Dianne Stillman, Committee Secretary

WITNESSES:

Representing the Business Capital Corporation:

Mr. Bob Shaw
Chairman

Mr. Norman MacNeil
President

Mr. Art Abbott
Vice-President

The Chairman welcomed the witnesses and introduced them to the Members, and invited them to make an opening statement.

Mr. Shaw advised the Committee of the structure of the newly formed board and its objectives.

Meeting Summary
June 15, 1988

Questions/Comments of Committee Members:

OFFICIAL OPPOSITION MEMBER(S)

As Mr. MacLean was unavailable, the Chairman deferred to the Third Party.

THIRD PARTY MEMBER:

Mr. John Holm: asked the witnesses to update the Committee on the Portland Estates loan arrangements; why it had previously been under the jurisdiction of the Attorney General's Department, and why it had been turned over to the Business Capital Corporation; he asked if there were any other loans being administered by the Attorney General's Department; and, asked Mr. MacNeil to prepare a report on this issue and forward it to the Chairman for distribution to the Committee.

GOVERNMENT MEMBER(S)

Hon. David Nantes: filled the Committee in on some of the background information that the witnesses, new to this account, may not be familiar with.

2nd Round:

OFFICIAL OPPOSITION MEMBER(S)

Dr. William Gillis: asked for details on venture capital corporations formed over the past year; and asked the witnesses if they were concerned over the growth in the reserve for doubtful accounts as noted in the Public Accounts; and if they would give the committee an estimate of the reserve as of March 31, 1988.

Regarding the Auditor General's remark in his 1987 Report, whereby 17 venture corporations had not submitted annual returns or financial statements within the prescribed limits, Dr. Gillis asked the witnesses if this is now under control.

He asked about the functions of the venture capital committee.

THIRD PARTY MEMBER

Mr. John Holm: asked the witnesses if they could update the Committee on the recommendations made in the 1986 Clarkson Gordon report.

He then asked the witnesses to forward information to the Committee regarding the venture capital loans as of March 31st, 1988.

He asked for details of the Investments Sold under the Industrial Expansion Fund as noted in the 1987 Public Accounts; and, for details of the loan guarantee to Prince of Fundy Cruise Limited.

He asked if the Business Capital Corporation is involved in any with the proposed development of a theme park in Upper Clements or Mahone Bay.

GOVERNMENT MEMBER(S)

No Questions

3rd Round:

OFFICIAL OPPOSITION MEMBER(S)

Dr. William Gillis: asked for details about eight doubtful accounts, totalling $2.463 Million and five totalling $1.81 Million, referred to in a letter to the Chairman, dated April 19th, from the Auditor General.

THIRD PARTY MEMBER

Mr. John Holm: asked, if circular financing was used under the venture capital; and how many of the venture capital corporations are 'one shot deals'.

Regarding industrial parks, he asked what is done with money for land sold and if it is used to service new lands within the park; if they would consider approaching the Department of Transportation to providing better access to the Sackville Industrial Park.

GOVERNMENT MEMBER(S)

Hon. G. David Nantes: commented that the author of the Clarkson Gordon Report is John Carter, currently Chairman of the Venture Capital Corporation.

4th Round:

OFFICIAL OPPOSITION MEMBER(S)

Dr. William Gillis: asked if the Small Business Development Corporation or the Business Capital Corporation are involved in funding loans in the area covered by the Cape Breton tax credit.

He asked the witnesses to provide the Committee with information regarding the write-off of loans to Woodtech Industries of Mulgrave, N.S.

THIRD PARTY

Mr. John Holm: asked the witnesses to provide the Committee with details of all their industrial parks.

He also asked if it was the intent of the Corporation to prepare an annual report that can be tabled.

Other Business:

The Chairman raised the issue of the increase of reporting limits in the Supplement to the Public Accounts. After some discussion, it was recommended that the following changes should be made:

Expenditure Item	In Excess Of
Salaries	$ 25,000.00
Travel	$ 3,500.00
All Other Payments	$ 5,000.00

In addition, notwithstanding limits indicated above, the Members of the Committee recommended that expenses of Ministers and Members of the House of Assembly be disclosed in their entirety.

Following the meeting, the Chairman conveyed this information to the Minister of Finance.

Meeting Adjourned: 10:12 a.m.

Nova Scotia

Business Capital Corporation

Bank of Montreal Tower
7th Floor
5151 George Street
Halifax Nova Scotia
Canada B3J 1M5

Telephone (902) 424-6800
Telex 019-22517
Telecopier (902) 424-6823

TO: Public Accounts Committee

FROM: N.S. MacNeil

DATE: June 30, 1988

SUBJECT: Follow Up Information

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1) Status of Portland Estates Limited
(Attachment A)

2) List of Venture Capital Corporations as at March 31, 1988
(Attachment B)

3) Details of Investments Sold - $20,516,000
(March 31, 1987)

$ 182,000	Purchased by S. Jachimowicz Limited - 182,000 shares of Dupont Holdings Limited for $330,000.
20,334,000	Purchased by National Sea Limited -20,334 shares of Canso Seafoods Limited for $1,224,000 cash and $19,110,000 loan.

4) Accounts Written Off

March 31, 1986 -	
Polar Bear Fisheries Ltd.	$ 525,492.39
March 31, 1987 -	
Oxford Foundry & Machining Co. Ltd.	370,796.49
Stangate Weld-All	689,847.54
Atlantic Sea Products	59,459.66
Maritime Coastal Containers	162,786.75
	$1,282,890.44

5) Venture Capital Program -
Allowance for Doubtful Accounts

	1986	1987
Medway Venture Capital	$ 212,500	$ 212,500
P.W.L. Investments	250,000	250,000
Nova Ventures Group Ltd.	885,000	885,000
Scotia Capital Corp. Ltd.	193,500	193,500
Ventureprises Limited	290,000	290,000
Caneast Ventures Ltd.	---	100,000
Mer Ventures Limited	---	475,000
Ragged Lake Dev. Inc.	---	57,400
Non-specific reserve (35%)	2,169,000	3,055,088
	$4,000,000	$5,518,488

N. S. MacNeil

N.S. MacNeil
President and C.E.O.

Nova Scotia

Business Capital Corporation

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Telephone (902) 424-6800
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Telecopier (902) 424-6823

TO: Norm MacNeil

FROM: Don Snow

DATE: June 30, 1988

SUBJECT: **Portland Estates Limited**

LOAN STATUS - JUNE 10, 1988

OIC Date	Type	Amount Authorized	Amount Outstanding	Interest Arrears Jun.10/88	Princ. Arrears Jun.10/88	Interest Rate
July 23/85	Mtg.	$2,486,418	$2,430,059	$199,523	$218,251	14%

NOTE: Loan payments of $57,350 are payable on the 10th of each month. As at June 10, 1988, total arrears were equivalent to about seven monthly payments.

SECURITY

The loan is secured by a mortgage on approximately 580 acres of developable commercial and residential land, subject only to a prior charge held by the First City Trust Company which currently has an outstanding loan balance of about $15.5 mil. Recent examinations by the Province have indicated the Province may have some exposure (loss) on the basis of security held, should the property be sold at this time on a "forced sale" basis.

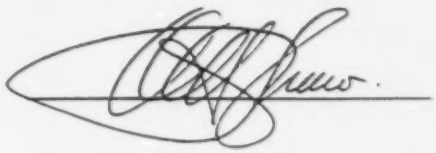
RECENT DEVELOPMENTS

Several months ago Portland Estates Limited initiated negotiations with several financial agencies in an effort to secure additional funding primarily aimed at allowing the Company to accelerate property development activities and marketing efforts. About two months ago Company officials advised that financial negotiations now centered on one financial agency, and more recently Company officials advised that a financial "Letter of Intent" had been accepted. Under the proposed financing arrangement the Province and First City Trust would be fully paid out.

..2/

Earlier on May 13, 1988, First City Trust initiated foreclosure action, however, First City has not pursued this action beyond the preliminary stage, presumably awaiting a decision on the proposed refinancing, which is anticipated within the next several weeks.

In the meantime Company officials advise there is no financial ability to provide further loan payments to the Province at this time. Staff is continuing to monitor this account closely.



DS/jm

Attachment "B"

Nova Scotia Business Capital Corporation, Department of Small Business Development, Province of Nova Scotia

VENTURE CAPITAL CORPORATIONS (VCC's) as registered under the Nova Scotia Venture Corporations Act - DIRECTORY - as at April, 1988

1. **SMALL BUSINESS EQUITY LIMITED**
c/o Ed V. Twohig, C.A., President
Post Office Box 3638 South
Halifax, Nova Scotia, B3J 3A6
telephone (902) 422-9260/469-8444

2. **VENTUREPRISES LIMITED**
c/o Charles McGuire, President
1656 Barrington Street
Halifax, Nova Scotia, B3J 2A2
telephone (902)

3. **SCOTIA CAPITAL CORPORATION LIMITED**
c/o Jean Renouf, President
3065 Isleville Street
Halifax, Nova Scotia, B3K 3S8
telephone (902) 422-1381

4. **NOVA VENTURES GROUP LIMITED**
c/o Ewan R. Orr, President
Rural Route No.1, Centre Burlington
Hants County, Nova Scotia, B0N 1E0
telephone (902) 876-7861

5. **BMO VICTORIA VENTURE LIMITED**
c/o Kurt Nordqvist, President
1954 Oxford Street
Halifax, Nova Scotia, B3H 4A2
telephone (902) 422-6786

6. **BRYSON VENTURE CAPITAL LIMITED**
c/o E.D. Bryson, President
1888 Brunswick Street, Suite 82C
Halifax, Nova Scotia, B3J 3J8
telephone (902) 429-5652

10. **DIRECT INVESTMENTS LIMITED**
c/o David Rood, President
33 Aldermay Drive, Dartmouth
Halifax County, Nova Scotia, B2Y 2W4
telephone (902) 465-7303

11. **DONTERLOREY INVESTMENTS LIMITED**
c/o Trenholm Lodge, President
Post Office Box 434, Dartmouth
Halifax County, Nova Scotia, B2Y 3Y6
telephone (902) 466-7471

12. **PREFERRED INVESTMENTS CORPORATION LIMITED**
c/o Ian MacLeod, President
Grand River
Richmond County, Nova Scotia, B0E 1H0
telephone (902) 387-2264

13. **DELTA INVESTMENTS LIMITED**
c/o Stefan Jachmanczyk, President
Post Office Box 2148, S.D.P.O.
Halifax County, Nova Scotia, B3J 3Y2
telephone (902) 434-6000

14. **AIRBORNE INVESTMENTS LIMITED**
c/o Wendy Cheever, President
Post Office Box 1520, Sydney
Cape Breton County, Nova Scotia, B1P 6R7
telephone (902) 539-4746

15. **NORTHERN NOVA MANAGEMENT SERVICES LIMITED**
c/o James M. Lacey, President
Lornaville, RR 2, Amherst
Cumberland County, Nova Scotia, B4H 3Y6
telephone (902) 667-4793

16. **CONSOLIDATED VENTURE CAPITAL LIMITED**
c/o Ralph Medjuck, President
Post Office Box 1074
Halifax, Nova Scotia, B3H 2Y1
telephone (902) 429-4251

17. **P.W.L. INVESTMENTS LIMITED**
c/o Gerald C. Ritcey, President
Post office Box 430, Truro
Colchester County, Nova Scotia, B2N 5C8
telephone (902) 895-4423

18. **PUNCT VENTURES LIMITED**
c/o Malcolm Inglis, Secretary Treasurer
Post Office Box 482, Bridgetown
Annapolis County, Nova Scotia, B0S 1C0
telephone (902) 665-4466

19. **CANEAST VENTURES LIMITED**
c/o F. Metcalf, Director
1459 Hollis Street
Halifax, Nova Scotia, B3J 1V7
telephone (902) 421-1459

20. **VENCORP LIMITED**
c/o Robert C. Bailey, President
c/o RCR Investments Limited
5426 Portland Place
Halifax, Nova Scotia, B3K 1A1
telephone (902) 422-8327

21. **MANCAN VENCAP LIMITED**
c/o Joseph Potter, President
Post Office Box 1975, Station M
Halifax, Nova Scotia, B3J 3Y3
telephone (902) 420-1102

22. **NER VENTURES LIMITED**
c/o John C. Risley, President
Post Office Box 310, Bedford
Halifax County, Nova Scotia, B4A 2X3
telephone (902) 443-0550

23. **ATLANTIC EQUITIES LIMITED**
c/o Phillip Cole President
94 Roosevelt Avenue, Truro
Colchester County, Nova Scotia, B2N 1B8
telephone (902) 895-3093

24. **CRANCELL CAPITAL CORPORATION LIMITED**
c/o William E. Crancell, President
Post Office Box 630, Lower Sackville
Halifax County, Nova Scotia, B4C 3Z1
telephone (902) 865-9285

25. **GROWTH EQUITY VENTURES LIMITED**
c/o Keith C. Raymond, President
Post Office Box 29, Digby
Digby County, Nova Scotia, B0V 1A0
telephone (902) 245-2481

26. **BETA VENTURE INVESTMENTS MANAGEMENT LIMITED**
c/o Alton Toole, President
388 Vitty Road, Truro
Colchester County, Nova Scotia, B2N 4H2
telephone (902) 893-2222

27. **SOUTH SHORE VENTURE CAPITAL LIMITED**
c/o Brian Wallace, President
Suite 12, Post Office Box 7, 80 D'Amours
Halifax, Nova Scotia, B3L 4G9
telephone (902) 868-2181

28. **PLETHORIC INVESTMENTS LIMITED**
c/o Alan E. Pritchett, President
Post Office Box 5266, Armdale
Halifax, Nova Scotia, B3L 4M6
telephone (902) 477-6666

29. **NORTHUMBERLAND VENTURES GROUP**
c/o John E. Scanlon, President
Post Office Box 1720, Pictou
Pictou County, Nova Scotia, B0K 1H0
telephone (902) 485-4311

30. **CAPE BRETON AQUACULTURE VENTURES LIMITED**
c/o Harvey L. Webber, President
314 Charlotte Street, Sydney
Cape Breton County, Nova Scotia, B1P 1C7
telephone (902) 564-8324

31. **EASTERN SHORE VENTURE CAPITAL INCORPORATED**
c/o Ray L. Smith, President
10 Pleasant Drive, Head of Chezzetcook
Halifax County, Nova Scotia, B0J 1N0
telephone (902) 435-3442

32. **STRUBPART ENTITIES LIMITED**
c/o Barry E. Bartlett, President
Atr Industrial Park, Debert
Colchester County, Nova Scotia, B0M 1B0
telephone (902) 662-3549

33. **ROCKLEY VENTURE CORPORATION LIMITED**
c/o Robert MacFarlane, Director
3807 Kempt Road
Halifax, Nova Scotia, B3K 4X6
telephone (902) 454-9251

34. **HORIZON VENTURE CAPITAL LIMITED**
c/o Stephen M. Bonnyman, President
Post Office Box 352, Stewiacke
Colchester County, Nova Scotia, B0M 1J0
telephone (902) 639-2179

35. **N. ONE VENTURE CAPITAL INCORPORATED**
c/o Charles P. MacDonald
3681 Kempt Road, P.O. Box 9140 Station A
Halifax, Nova Scotia, B3K 5M7
telephone (902) 455-0541

36. **PAR-BAR VENTURES LIMITED**
c/o P. Stanley Sephton
1470 Summer Street, Apt. 1602
Halifax, Nova Scotia, B3H 3A3
telephone (902) 423-6966

37. **TARTAR INVESTMENTS LIMITED**
c/o David Ehrlich, President
Post Office Box 306
Halifax, Nova Scotia, B3J 2M7
telephone (902) 421-1161

38. **ARTILLERY VENTURE CAPITAL LIMITED**
c/o Thomas E.G. Lynch, President
5525 Artillery Place, Suite 200
Post Office Box 3422, South
Halifax, Nova Scotia, B3J 3J1
telephone (902) 423-6295

39. **RAGGED LAKE DEVELOPMENT INCORPORATED**
c/o Rolf-Ingo Strackerjan, President
20 Willowbend Crescent
Halifax, Nova Scotia, B3M 3L4
telephone (902) 443-2262/873-3611

40. **INTERMART VENTURES INCORPORATED**
c/o Frank Mattingson, President
159 Wyse Road, Dartmouth
Halifax County, Nova Scotia, B3A 1M6
telephone (902) 463-4847

41. **ENTREVER COMPANY LIMITED (464-7471)**
c/o Trenholm Lodge, President
Post Office Box 224, Dartmouth
Halifax County, Nova Scotia, B2Y 3Y2

42. **MAHONE BAY VENTURE CAPITAL LIMITED**
c/o Robert W.B. Douglas, President
Post Office Box 89, Mahone Bay
Lunenburg County, Nova Scotia, B0J 2E0
telephone (902) 624-9526

43. **COLCHESTER VENTURES LIMITED**
c/o Gerald P. Scanlon
56 Elm Street, P.O.Box 1435, Truro
Colchester County, Nova Scotia, B2N 5V2
telephone (902) 895-5245

44. **CHETICAMP VENTURE CAPITAL LIMITED**
c/o Raymond Doucet, President
Post Office Box 40, Cheticamp
Inverness County, Nova Scotia, B0E 1H0
telephone (902) 224-2066

45. **TRIPARTE VENTURES INCORPORATED**
c/o James Barr, Vice President
Post Office Box 806, Truro
Colchester County, Nova Scotia, B2N 5E8
telephone (902) 895-2848

46. **PAT KING VENTURE LIMITED**
c/o Philip Lawrence, President
Post Office Box 2580, D.E.P.O., Dartmouth
Halifax County, Nova Scotia, B2W 4R7
telephone (902) 434-9070/421-1604

47. **LIMBAR VENTURE LIMITED**
c/o Gordon Baird, Secretary
29 Reserve Street, Glace Bay
Cape Breton County, Nova Scotia, B1A 4Y7
telephone (902) 849-4046

48. **GROVER VENCAP INCORPORATED**
c/o Richard Homburg, President
6143 Quinpool Road
Halifax, Nova Scotia, B3L 1A3
telephone (902) 422-1277

49. **BLUEHOUSE VENTURE CAPITAL LIMITED**
c/o Harry Hoi Kwan Wong, President
Post Office Box 1600, Liverpool
Queens County, Nova Scotia, B0T 1K0
telephone (902) 354-5723

50. **PRINCETOR CAPITAL CORPORATION LIMITED**
c/o Robert A. Stapells, President
1770 Market Street Pk, P.O Box 1693
Halifax, Nova Scotia, B3J 2Y3
telephone (902) 423-[illegible]

51. **MARITIME CAPITAL VENTURES LIMITED**
c/o James W. Drescher, President
2598 Gottingen Street
Halifax, Nova Scotia, B3K 3B2
telephone (902) 425-3351

52. **TECK INVESTMENTS INCORPORATED**
c/o Brian Fleming, President
1459 Hollis Street
Halifax, Nova Scotia, B3J 1V7
telephone (902) 421-[illegible]

53. **FS VENTURE CAPITAL CORPORATION LIMITED**
c/o Michael E. Williamson, C.A.
1459 Hollis Street
Halifax, Nova Scotia, B3J 1V7
telephone (902) 422-28[illegible]

54. **ABC VENTURE CAPITAL CORPORATION LIMITED**
c/o Gary Bungayne, President
11 Bluenose St., P.O.Box 386, Bridgewater
Lunenburg County, Nova Scotia, B4V 2W5
telephone (902) 543-7864

55. **BARRA CAPITAL INCORPORATED**
c/o Malcolm W. Stebbins, President
29 Litchfield Crescent
Halifax, Nova Scotia, B3P 2N4
telephone (902) 477-3709

56. **VILLROT VENTURES LIMITED**
c/o Laird L. Fairn, President
Marshall St. Ext., P.O.Box 935, Middleton
Annapolis County, Nova Scotia, B0S 1P0
telephone (902) 825-4305

57. **GRANVIA CAPITAL INCORPORATED**
c/o George Armoyan, President
Suite 410 Bedford Professional Centre
Dartmouth Road, Bedford
Halifax County, Nova Scotia, B4A 2K7
telephone (902) 835-6300

58. **1011254 NOVA SCOTIA LIMITED**
c/o E.B. Crockett, President
1900 Upper Water St., P.O.Box 997
Halifax, Nova Scotia, B3J 2X2
telephone (902) 420-1374

59. **PARTNERSHIP VENTURES LIMITED**
c/o Frank Metcalf, President
1459 Hollis Street
Halifax, Nova Scotia, B3J 1V1
telephone (902) 420-1990

60. **NIMAS VENTURES INCORPORATED**
c/o John W. Petrie, President
Post Office Box 130, Prince Williams
Kings County, Nova Scotia, B0P 1H0
telephone (902) 542-2870

61. **TRAVEST VENTURE CAPITAL LIMITED**
c/o William J. May, President
Suite 202 Bank of Montreal Building
Commercial Street, P.O.Box 1240, Truro
Colchester County, Nova Scotia, B2N 5C8
telephone (902) 895-0545

62. **ACTIVE VENTURES INCORPORATED**
c/o Frederick C. Hanser, President
6100 Young Street
Halifax, Nova Scotia, B3K 2A4
telephone (902) 455-04[illegible]

63. **1822656 NOVA SCOTIA LIMITED**
c/o John L. Bragg, President
Main Street, P.O Box 220, Oxford
Cumberland County, Nova Scotia, B0M 1M0
telephone (902) 447-2320